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Message Text

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ACTION TRSE-00

INFO OCT-01 ISO-00 EA-11 NEA-10 EUR-25 IO-14 L-03 H-03

SPC-03 AID-20 EB-11 NSC-10 RSC-01 CIEP-02 SS-20

STR-08 OMB-01 CEA-02 CIAE-00 COME-00 FRB-02 INR-10

NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01 PA-04 USIA-15

PRS-01 DRC-01 /204 W
---------- 034839
P 200143Z NOV 73
FM AMEMBASSY MANILA
TO SECSTATE WASHDC PRIORITY 9271
INFO AMEMBASSY RANGOON PRIORITY

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USADB

FOR NAC AGENCIES

E.O. 11652: ADS, DECLAS 3/31/73
TAGS: EAID, EFIN, BM
SUBJ: PROPOSED ADB LOANS FOR POWER TRANSMISSION
PROJECT IN BURMA

SUMMARY: ADB MANAGEMENT PROPOSES TWO LOANS TOTALLING $6.1 MILLION TO GOVT OF UNION OF BURMA (GUB) TO WHICH $2.1 MILLION EQUIVALENT WOULD BE FROM ORDINARY CAPITAL RESOURCES AND $4.0 MILLION EQUIVALENT FROM SPECIAL FUNDS RESOURCES, TO FINANCE FOREX COSTS OF TWO TRANSMISSION LINES IN BURMA. PROJECT INCLUDES TRANSMISSION LINES ON THE SOUTH AND NORTH OF THE WEST BANK OF IRRAWADDY RIVER; FOUR RELATED SUBSTATIONS. USADB RECOMMENDS FAVORABLE NAC ACTION. END SUMMARY.

1. ADB DOC R102-73 WITH ATTACHMENTS DESCRIBING PROPOSED
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LOANS POUCHED ADDRESSEES NOV 16. BOARD CONSIDERATION

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SCHEDULED DEC 6.

2. ADB MANAGEMENT PROPOSES BLENDING OF LOANS OF $2.1 MILLION ORDINARY CAPITAL AND $4.0 MILLION EQUIVALENT FROM SPECIAL FUNDS RESOURCES (TOTAL OF $6.1 MILLION) TO BURMA. PROCEEDS WILL FINANCE FOREX COSTS OF 230 MILES OF 66 KV DOUBLE CIRCUIT TRANSMISSION LINES AND FOUR 66/11 KV SUBSTATIONS RELATED TO THESE LINES. LINES INCLUDE STEEL TOWERS, CONDUCTORS, INSULATORS, OTHER LINE MATERIALS; SUBSTATION EQUIPMENT INCLUDING TRANSFORMERS AND SWITCHGEAR. PROPOSED TERMS ARE (A) 25 YEARS AMORTIZATION INCLUDING 5 YEAR GRACE PERIOD AT 7 1/2 PERCENT INTEREST FOR ORDINARY CAPITAL LOAND AND (B) 40 YEARS AMORTIZATION INCLUDING 10 YEAR GRACE PERIOD AT INTEREST RATE OF 1 PERCENT PER ANNUM FOR SPECIAL FUNDS LOAN. REPAYMENT OF PRINCIPAL OF SPECIAL FUNDS LOAN WILL BE AT 2 PERCENT PER YEAR FROM 11TH TO 20TH YEAR AND 4 PERCENT PER YEAR THEREAFTER (THE PROPOSED BLEND OF LAONS YIELDS GRANT ELEMENT OF 60.2 PERCENT). UNION OF BURMA TO BE BORROWER AND ELECTRIC POWER CORP (EPC) TO BE EXECUTING AGENCY. PROJECT WOULD BE FIRST BANK-FINANCED PROJECT IN BURMA.

3. PROJECT IS DESIGNED TO REDRESS EARLIER EMPHASIS ON ESTABLISHMENT OF POWER GENERATION BY NOW GIVING EQUAL ATTENTION TO TRANSMISSION AND DISTRIBUTION FACILITIES. PROJECT PART OF NATIONAL PROGRAM OVERALL POWER DEVELOPMENT NEEDED TO MEET GROWING, ESPECIALLY INDUSTRIAL, LOAD DEMAND. PROJECT WILL TRANSMIT POWER TO BE GENERATED BY TWO NEW GAS TURBINE STATIONS (OF 54.3 MW AND 49.2 MW) NOW UNDER CONSTRUCTION TO LOAD CENTERS IN THE AREAS AND TO LINK INTO NATIONAL POWER GRID, THEREBY INCREASING PRESENT LOW PER CAPITA POWER GENERATION AND CONSUMPTION AND STIMULATING INDUSTRIAL DEVELOPMENT ON WEST BANK OF IRRAWADDY RIVER WHICH REQUIRES ADEQUATE AND RELIABLE SUPPLY. (KYUN CHAUNG/CHAUK AND MANDALAY INDUSTRIAL ZONES INCLUDE BURMA'S ONLY TWO FERTILIZER PLANTS AND LARGEST TEXTILE MILL.)

4. PROJECT INCLUDES CONSTRUCTION OF 66 KV DOUBLE CIRCUIT TRANSMISSION LINE FOR 205 MILES BETWEEN SINDE AND MYAUNGMYA, 66 KV DOUBLE CIRCUIT TRANSMISSION LINE FOR 25 MILES FROM
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KYUN CHAUNG TO CHAUK, AND FOUR 66/11 KV SUBSTATIONS RELATED TO THESE LINES. TRANSMISSION LINES TO BE ALUMINUM CONDUCTOR STEEL REINFORCED (ACSR) SUPPORTED BY STEEL TOWERS; EACH SUBSTATION TO HAVE STEP-DOWN TRANSFORMERS OF 66/11 KV AND ASSOCIATED SWITCHGEAR TO COVER TRANSFORMER CAPACITY RANGE FROM 3 MVA TO 10 MVA ACCORDING TO DEMAND. TWO GAS TURBINE STATIONS (OF 54.3 MW AND 49.2 MW) UNDER CONSTRUCTION IN THE AREAS OF PROJECT ARE INTENDED TO

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EXPLOIT NATIONAL GAS RESOURCES ABUNDANT IN AREA; STIMULATE INDUSTRIAL DEVELOPMENT BY PROVIDING MORE RELIABLE POWER TO THE AREAS AND CONTRIBUTE TO THE BALANCE GROWTH OF BURMA'S POWER SECTOR. THE SALIENT FEATURE OF THE NATIONAL POWER GRID IN BURMA IS ITS LONG-DISTANCE TRANSMISSION LINES. IN ADDITION TO CAUSING SUBSTANTIAL LINE LOSSES, THEY ARE VULNERABLE TO INTERRUPTION CAUSED BY LINE FAULTS SINCE NEITHER DOUBLE CIRCUITS NOR DETOUR ROUTES HAD BEEN PROVIDED. MORE THAN ONE FOURTH OF ENERGY PRODUCED BY EPC NOW DOES NOT REACH CONSUMERS. SUCH LOSSES, ATTRIBUTED TO LONG DISTANCE TRANSMISSION LINES, IMPROPER STATION USE AND LACK OF DISTRIBUTION NETWORKS WILL BE REDUCED BY PROPOSED PROJECT.

5. EXECUTING AGENCY EPC WILL DESIGN AND CONSTRUCT SUB-STATION AND TRANSMISSION LINES; PREPARE TENDER DOCU-MENTS AND EVALUATE BIDS. EPC STAFF ARE WELL TRAINED AND EXPERIENCED IN PERFORMING SIMILAR WORK AND BELIEVED CAPABLE IMPLEMENT PROJECT WITHOUT FOREIGN CONSULTANTS. HOWEVER EPC AND GUV HAVE AGREED THAT IF BANK AND BURMESE AUTHORITIES RECOGNIZE NECESSITY FOR CONSULTANTS DURING IMPLEMENTATION PERIOD, EPC WILL HIRE CONSULTANTS ACCEPT-ABLE TO BANK, FINANCED BY GOVT'S OWN RESOURCES.

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ACTION TRSE-00

INFO OCT-01 EA-11 ISO-00 NEA-10 EUR-25 IO-14 L-03 H-03

SPC-03 AID-20 EB-11 NSC-10 RSC-01 CIEP-02 SS-20

STR-08 OMB-01 CEA-02 CIAE-00 COME-00 FRB-02 INR-10

NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01 PA-04 USIA-15

PRS-01 DRC-01 /204 W
---------- 035812
P 200143Z NOV 73
FM AMEMBASSY MANILA
TO SECSTATE WASHDC PRIORITY 9272
INFO AMEMBASSY RANGOON PRIORITY

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6. TOTAL COST OF PROJECT ESTIMATED AT $9.83 MILLION EQUIVALENT, INCLUDING FOREX COMPONENT OF $6.1 MILLION EQUIVALENT, PROPOSED FOR BANK FINANCING. BORROWER WILL RELEND PROCEEDS TO EPC AT 6 PERCENT INTEREST, 25 YEARS INCLUDING 5 YEARS GRACE, STANDARD GOVT RELENDING RATE. GOVT HAS ASSURED EPC WILL RECEIVE LOCAL CURRENCY FUNDS NEEDED BY BUDGETARY ALLOCATIONS. PROCUREMENT WILL BE ON BASIS INTERNATIONAL COMPETITIVE BIDDING FOR CONTRACTS IN EXCESS OF $50,000 EQUIVALENT IN ACCORD WITH BANK'S GUIDE-LINES FOR PROCUREMENT. CONTRACTS NOT EXCEEDING THIS AMOUNT (EXCEPT MINOR ITEMS) ON BASIS COMPETITION AMONG REASONABLE NUMBER ELIGIBLE COUNTRIES. PROCEEDS OF LAON FROM ORDINARY CPAITAL RESOURCES WILL BE USED FOR PROCUREMENT FROM MEMBER COUNTRIES AND LUXEMBOURG. PROCEEDS FROM SPECIAL FUNDS RE-SOURCES WILL BE LIMITED TO ELIGIBLE COUNTRIES SPECIFIED BY BANK.

7. ALLOCATION OF LAON COMPONENTS AS FOLLOWS:
UNDER SPECIAL FUNDS FOR ELIGIBLE COUNTRY PROCUREMENT ONLY, STEEL TOWERS ($1,680,000), CONDUCTORS ($1,365,000)
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AND OTHER LINE MATERIALS ($475,000). PROCUREMENT UNDER ORDINARY CAPITAL RESOURCES (ALL MEMBER COUNTRIES AND LUXEMBOURG ELIGIBLE) INCLUDES SUBSTAION EQUIPMENT ($1,400,000), AND INSULATORS ($380,000); UNALLOCATED LOAN BALANCES OF $480,000 (SPECIAL FUNDS) AND $320,000 (ORDINARY CAPITAL).

8. BANK MANAGEMENT CONSIDERS PROJECT TECHNICALLY SOUND AND FINANCIALLY VIABLE. PROPOSED TRANSMISSION LINES CONSIDERED LEAST COST, MOST TECHNICALLY APPROPRIATE SOLUTION MEET POWER DEMANDS IN PROJECT AREAS. FINANCIAL RATE OF RETURN OF PROJECT ESTIMATED AT 15.5 PERCENT. EPC ACCOUNTING AND COLLECTION PROCEDURES, TARIFF STRUCTURE AND DEBT RATIO CONSIDERED SATISFACTORY AND ASSURANCES HAVE BEEN OBTAINED RATE STRUCTURE WILL BE JOINTLY REVIEWED BY EPC AND BANK NO LATER THAN MARCH 31, 1975. EPC HAS AGREED MAINTAIN TARIFFS SUFFICIENT TO GENERATE REVENUES TO COVER OPERATING EXPENSES INCLUDING MAINTENANCE AND DEPRECIATION. ON BASIS ECONOMIC INDICATORS, BURMA ONE OF LEAST DEVELOPED AMONG DEVELOPING MEMBER COUNTRIES OF BANK. BALPA AND DEBT TERMS OF EXTERNAL ASSISTANCE ESSENTIAL. GRANT ELEMENT PROPOSED LAONS OF 60 PERCENT WOULD PUT RECIPIENT NEXT ONLY TO BANGLADESH AND TONGA. USADB SUPPORTS PROPOSAL AND RECOMMENDS FAVORABLE NAC ACTION.

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9. REQUEST EMBASSY RANGOON'S COMMENTS FOR NAC AGENCIES, INFO USADB MANILA, PURSUANT TO STATE 119795 DTD 3 JULY 1972.
SULLIVAN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POWER TRANSMISSION LINES, DEVELOPMENT LOANS
Control Number: n/a
Copy: SINGLE
Draft Date: 20 NOV 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973MANILA12993
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: MANILA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731123/aaaaaqnz.tel
Line Count: 227
Locator: TEXT ON-LINE
Office: ACTION TRSE
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 21 NOV 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <21-Nov-2001 by martinml>; APPROVED <21-Dec-2001 by golinofr>
Review Markings:

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US Department of State
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Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PROPOSED ADB LOANS FOR POWER TRANSMISSION PROJECT IN BURMA
TAGS: EAID, EFIN, BM, ADB
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

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